



JOSEPH KELLY
TREASURER AND TAX COLLECTOR

COUNTY OF LOS ANGELES TREASURER AND TAX COLLECTOR

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June 21, 2016

The Honorable Board of Supervisors
County of Los Angeles
383 Kenneth Hahn Hall of Administration
500 West Temple Street
Los Angeles, California 90012

Dear Supervisors:

ADOPTED

BOARD OF SUPERVISORS
COUNTY OF LOS ANGELES

42 June 21, 2016

LORI GLASGOW
EXECUTIVE OFFICER

BOND AUTHORIZATION INCREASE PROPERTY ASSESSED CLEAN ENERGY (PACE) PROGRAM (ALL DISTRICTS - 3 VOTES)

SUBJECT

The Treasurer and Tax Collector and the Internal Services Department request approval to increase the bond authorization for the County's Property Assessed Clean Energy (PACE) Program. The current bond authorization of \$500 million was established on November 3, 2015, and is insufficient to maintain the PACE Program beyond late July 2016. Our Departments request authorization to increase the bond issuance limit to \$750 million, which should be sufficient to manage the PACE Program through the end of December 2016.

IT IS RECOMMENDED THAT THE BOARD:

Adopt a resolution authorizing the issuance of contractual assessment limited obligation improvement bonds (Assessment Bonds) in an aggregate principal amount not to exceed \$750 million for the purpose of funding real property improvements under the County PACE Program.

PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION

On April 6, 2010, your Board adopted a Resolution of Intention to initiate the formation of a voluntary contractual assessment program in accordance with the provisions of Assembly Bill 811 (AB 811). On May 25, 2010, a public hearing was held in which your Board approved the formation and

implementation of the Los Angeles County Energy Program and authorized the issuance of Assessment Bonds to finance energy efficiency, renewable energy generation, and water efficiency improvements to private property. As part of this formation, your Board authorized an initial issuance of \$100 million for Assessment Bonds issued through the program. This amount was considered reasonable in 2010 and was consistent with the intent of AB 811, which sought to establish a maximum amount of contractual assessments for any PACE program. As with any contractual assessment bond, there is no recourse to the County for any repayment obligations and no impact to any County debt ratios evaluated by the credit rating agencies.

The County formally launched its residential PACE Program in May 2015. The two program administrators selected by the County to manage the residential PACE Program are Renovate America (HERO) and Renewable Funding LLC, DBA Renew Financial (CaliforniaFIRST). As we reported to your Board in our memorandum of May 12, 2016, the County has approved \$364 million of PACE program financial commitments through April 1, 2016. Given the average \$8.3 million in new financial commitments each week, we estimate the current approved \$500 million in bond authority could be reached in late July 2016.

In order to maintain continuity and avoid any disruption in the delivery of the PACE Program, we are seeking an increase in the combined bond authorization for commercial and residential PACE by \$250 million, to a total of \$750 million. The increase will allow for an interim period of continuous operation of the PACE Program while our Departments respond to the recent motion from your Board to potentially expand the number of residential PACE Program administrators. If this request for additional authorization is approved, our Departments anticipate returning for additional bond authorization before the end of December 2016.

Implementation of Strategic Plan Goals

The recommended action supports County Strategic Plan Goal 1, Operational Effectiveness/Fiscal Sustainability, by facilitating a program that promotes energy efficiency and conservation, and enhances sustainable practices in the County. The recommended action also supports County Strategic Plan Goal 2, Community Support and Responsiveness, by providing economic benefits to constituents and supporting greenhouse gas reductions throughout the County.

FISCAL IMPACT/FINANCING

There is no fiscal impact associated with an increase to the bond authorization for commercial and residential PACE Programs. As with any contractual assessment bond, there is no recourse to the County for any repayment obligations and no impact to any County debt ratios evaluated by the credit rating agencies.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS

On May 25, 2010, your Board adopted a Resolution authorizing the issuance and sale of Assessment Bonds in an aggregate principal amount not to exceed \$100 million for the purpose of funding real property improvements in accordance with the provisions of AB 811 and Chapter 29 of the California Streets and Highways Code. On November 3, 2015, your Board increased the maximum authorization for Assessment Bonds issued under the PACE Program to \$500 million. However, we estimate the current \$500 million authorization will be reached in late July 2016. In order for the County to continue approving assessment contracts and issuing Assessment Bonds, we are requesting that your Board increase the maximum bond authorization to \$750 million.

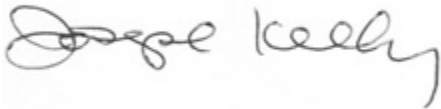
IMPACT ON CURRENT SERVICES (OR PROJECTS)

The increase in bond authorization will enable the County to manage its commercial and residential PACE Programs in accordance with State Law and without any disruption in service.

CONCLUSION

Upon approval, we request that the Executive Officer-Clerk of the Board of Supervisors return one stamped copy of the approved Board Letter to the Director of the Internal Services Department and another to the Treasurer and Tax Collector.

Respectfully submitted,



Joseph Kelly
Treasurer and Tax Collector



DAVE CHITTENDEN
Chief Deputy Director

JK:GB:JP:pabPb/b
rdltr/pace062116

Enclosures

c: Assessor
Chief Executive Officer
Auditor-Controller
County Counsel
Executive Officer, Board of Supervisors

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE
COUNTY OF LOS ANGELES AUTHORIZING AN INCREASE
IN THE AGGREGATE PRINCIPAL AMOUNT OF
CONTRACTUAL ASSESSMENT LIMITED OBLIGATION
IMPROVEMENT BONDS ISSUED THROUGH THE LOS
ANGELES COUNTY ENERGY PROGRAM TO FINANCE THE
INSTALLATION OF DISTRIBUTED GENERATION
RENEWABLE ENERGY SOURCES AND ENERGY AND
WATER EFFICIENCY IMPROVEMENTS

WHEREAS, Chapter 29 of Part 3 of Division 7 of the Streets and Highways Code of the State of California (the "Contractual Assessment Law") authorizes counties to assist free and willing property owners in financing the installation of distributed generation renewable energy sources and energy and water efficiency improvements (the "Improvements") that are permanently fixed to residential, commercial, industrial or other real property through a contractual assessment program; and

WHEREAS, on April 6, 2010 the Board of Supervisors (the "Board of Supervisors") of the County of Los Angeles, a political subdivision of the State of California (the "County") adopted a resolution (the "Resolution of Intention") declaring its intention to order the implementation of a contractual assessment program to finance Improvements pursuant to the Contractual Assessment Law; and

WHEREAS, following publication and notice duly given and a hearing in accordance with applicable law, the Board of Supervisors adopted on May 25, 2010 a resolution (the "Resolution Confirming Assessments") making certain findings and determinations in connection with and confirming the report (the "Program Report") of the Director of the Internal Services Department ("ISD") of the County regarding the establishment of a contractual assessment program to finance Improvements, confirming assessments to be levied within the parameters of the report and taking certain other actions; and

WHEREAS, following notice duly given and a hearing in accordance with applicable law, the Board of Supervisors adopted on May 25, 2010 the Resolution Establishing the Los Angeles County Energy Program and Authorizing the Issuance of Bonds (the "Authorizing Resolution"), which, among other things, approved the initial issuance of contractual assessment limited obligation improvement bonds (the "Bonds") under the Los Angeles County Energy Program ("LACEP") in an aggregate principal amount of not to exceed \$100,000,000 (the "Initial County

Assessment Bond Authorization”) issued in one or more series from time to time for the purpose of financing Improvements for qualified property owners pursuant to the Contractual Assessment Law and the Improvement Bond Act of 1915, being Division 10 of the Streets and Highways Code of the State of California; and

WHEREAS, following the formation of LACEP, the County established a commercial property assessed clean energy program (the “Commercial PACE Program”) as a part of LACEP to finance the acquisition, construction and installation of the Improvements on commercial properties in the County; and

WHEREAS, on August 12, 2014, the Board of Supervisors authorized ISD and the Treasurer and Tax Collector of the County (the “Treasurer”) to develop a residential property assessed clean energy program (the “Residential PACE Program”) as a part of LACEP to finance the acquisition, construction and installation of the Improvements on residential properties in the County and for ISD to release a request for proposals for one or more program administrators to facilitate the Residential PACE Program (the “Residential PACE Program RFP”);

WHEREAS, following the review of the responses to the Residential PACE Program RFP, the County entered into separate contracts with Renovate America, Inc. and Renewable Funding LLC (each, a “Residential PACE Program Administrator”) to administer separate components of the Residential PACE Program on behalf of the County;

WHEREAS, the Director of ISD, the Treasurer and the Residential PACE Program Administrators have established and launched the Residential PACE Program to finance the acquisition, construction and installation of the Improvements on residential properties in the County.

WHEREAS, on November 3, 2015, the Board of Supervisors adopted a resolution authorizing an increase to the Initial County Assessment Bond Authorization from \$100,000,000 to \$500,000,000 (the “Second County Assessment Bond Authorization”);

WHEREAS, the Director of ISD and the Treasurer have determined that it is necessary to increase the Second County Assessment Bond Authorization to avoid any disruption in the operation of the Residential PACE Program or the Commercial PACE Program;

WHEREAS, the Director of ISD and the Treasurer are recommending that the Board of Supervisors approve an increase in the maximum aggregate principal amount of Bonds authorized for issuance under LACEP from \$500,000,000 to \$750,000,000.

NOW, THEREFORE, THE BOARD OF SUPERVISORS OF THE COUNTY OF LOS ANGELES DOES HEREBY RESOLVE, DETERMINE AND ORDER AS FOLLOWS:

Section 1. Recitals. The recitals set forth hereinabove are true and correct in all respects. The Board of Supervisors finds and declares that the increase in the authorization for the issuance of Bonds approved by this Resolution is in the best interests of the County.

Section 2. Bond Authorization. The Board of Supervisors hereby approves an increase in the not to exceed aggregate principal amount of Bonds authorized to be issued for the purpose of financing the acquisition, construction and installation of Improvements under LACEP, including both the Commercial PACE Program and the Residential PACE Program, from \$500,000,000 to \$750,000,000.

Section 3. Effective Date. This Resolution shall take effect immediately upon adoption.

The foregoing Resolution was on the 21st day of June, 2016, adopted by the Board of Supervisors of the County of Los Angeles and ex-officio the governing body of all other special assessment and taxing districts, agencies and authorities for which said Board so acts.



LORI GLASGOW
Executive Officer of the Board of
Supervisors of the County of Los
Angeles

By: Rachelle Smitherman
Deputy

APPROVED AS TO FORM:

MARY C. WICKHAM
County Counsel

By: Thomas R. Parker
Deputy County Counsel